

SENATE BILL 2167
By Womack

AN ACT to amend Tennessee Code Annotated, Section 67-4-905,
relative to deductions against the franchise tax.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-905, is amended by
deleting subsection (c) in its entirety and by substituting instead the following:

(c) If the capital stock of a corporation which is a subsidiary of another corporation or closely affiliated therewith by stock ownership is inadequate for its business needs apart from credit extended or indebtedness guaranteed by the parent or an affiliated corporation, in determining the amount of capital, surplus and undivided profit of such corporation with respect to its liability for the tax imposed by this part, there shall be included in the measure of the tax the indebtedness owed to or guaranteed by the parent or an affiliated corporation. If necessary to apportion such indebtedness the methods of allocation hereinafter set forth shall be used. A "closely affiliated" corporation shall not include a foreign entity operating in the U.S. for the purpose of facilitating the financing of U.S. operations of the affiliated group. A "foreign entity", for purposes of this section, is a corporation created or organized under the laws of the United States or any state and which has less than twenty percent (20%) of its average tangible property and average payroll assigned to locations within the United States and the District of Columbia.

SECTION 2. This act shall take effect upon becoming a law, the public welfare requiring it and shall apply to all tax years ending on or after June 30, 1996.

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